

Debtor Name LTL Management LLC

United States Bankruptcy Court for the District of New Jersey

Case number: 23-12825 (MBK)

Official Form 426

Periodic Report Regarding Value, Operations, and Profitability of Entities in Which the Debtor's Estate Holds a Substantial or Controlling Interest

12/17

This is the *Periodic Report* as of April 2, 2023, on the value, operations, and profitability of those entities in which a Debtor holds, or two or more Debtors collectively hold, a substantial or controlling interest (a "Controlled Non-Debtor Entity"), as required by Bankruptcy Rule 2015.3. For purposes of this form, "Debtor" shall include the estate of such Debtor.

LTL Management LLC holds a substantial or controlling interest in the following entities:

| Name of Controlled Non-Debtor Entity | Interest of the Debtor | Tab # |
|--------------------------------------|------------------------|-------|
| Royalty A&M LLC ("Royalty A&M") | 100% | |

This *Periodic Report* contains separate reports (*Entity Reports*) on the value, operations, and profitability of each Controlled Non-Debtor Entity.

Each *Entity Report* consists of five exhibits.

Exhibit A contains the most recently available: balance sheet, statement of income (*loss*), statement of cash flows, and a statement of changes in shareholders' or partners' equity (*deficit*) for the period covered by the *Entity Report*, along with summarized footnotes.

Exhibit B describes the Controlled Non-Debtor Entity's business operations.

Exhibit C describes claims between the Controlled Non-Debtor Entity and any other Controlled Non-Debtor Entity.

Exhibit D describes how federal, state or local taxes, and any tax attributes, refunds, or other benefits, have been allocated between or among the Controlled Non-Debtor Entity and any Debtor or any other Controlled Non-Debtor Entity and includes a copy of each tax sharing or tax allocation agreement to which the Controlled Non-Debtor Entity is a party with any other Controlled Non-Debtor Entity.

Exhibit E describes any payment, by the Controlled Non-Debtor Entity, of any claims, administrative expenses or professional fees that have been or could be asserted against any Debtor, or the incurrence of any obligation to make such payments, together with the reason for the entity's payment thereof or incurrence of any obligation with respect thereto.

This *Periodic Report* must be signed by a representative of the trustee or debtor in possession.

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The undersigned, having reviewed the *Entity Reports* for each Controlled Non-Debtor Entity, and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that to the best of his or her knowledge, (i) this *Periodic Report* and the attached *Entity Reports* are complete, accurate, and truthful to the best of his or her knowledge, and (ii) the Debtor did not cause the creation of any entity with actual deliberate intent to evade the requirements of Bankruptcy Rule 2015.3

For non-individual Debtors:

x /s/ Richard Dickinson

Signature of Authorized Individual

Richard Dickinson

Printed name of Authorized Individual

Date 05 / 04 / 2023
MM / DD / YYYY

For individual Debtors:

x

Signature of Debtor 1

Printed name of Debtor 1

Date _____
MM / DD / YYYY

x

Signature of Debtor 2

Printed name of Debtor 2

Date _____
MM / DD / YYYY

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Exhibit A: Financial Statements for Royalty A&M

The financial statements for Royalty A&M in this Exhibit A are unaudited. The financial statements do not conform to the requirements for the presentation of financial statements of the United States' generally accepted accounting principles ("GAAP") and do not include all of the information and disclosures required by GAAP.

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Exhibit A-1: Balance Sheet for Royalty A&M as of January 1, 2023

Balance Sheet for Royalty A&M as of January 1, 2023

| Royalty A&M LLC | | |
|--|-----------|------------------------|
| Balance Sheet as of January 1, 2023 | | |
| (Dollars in Millions) | | |
| Assets | | <u>January 1, 2023</u> |
| Current Assets | | |
| Cash | \$ | 39.25 |
| Other Receivable – Royalties ¹ | | 19.83 |
| Total Current Assets | | 59.09 |
| Intangible Assets, Net of Amortization | | 339.69 |
| Total Assets | \$ | 398.78 |
| Liabilities & Shareholders Equity | | |
| Due to LTL Mgmt. ² | | 0.02 |
| Due to Affiliate ³ | | 0.00 |
| Accrued Taxes | | - |
| Total Liabilities | \$ | 0.02 |
| Shareholders Equity | | |
| Paid in Capital | | 367.13 |
| Retained Earnings | | 31.63 |
| Total Shareholders Equity | \$ | 398.76 |
| Total Liabilities & Shareholders Equity | \$ | 398.78 |

¹ Amount includes actual and projected royalty income amounts subject to reconciliation against actual sales amounts, net of obligations of Royalty A&M under its services agreements with Debtor LTL Management LLC and Johnson & Johnson Services, Inc. (such obligations are netted for reporting purposes only in this line item and are also reflected in line items Due to LTL Mgmt. and Due to Affiliate). Royalty income received by Royalty A&M is reflected in Cash.

² Amount due to Debtor LTL Management LLC pursuant to a services agreement under which the Debtor provides Royalty A&M ongoing access to and support from the Debtor's chief executive officer and chief financial officer (in their capacities as officers of Royalty A&M).

³ Amount due to Johnson & Johnson Services, Inc. pursuant to a services agreement.

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Exhibit A-1: Balance Sheet for Royalty A&M as of April 2, 2023

Balance Sheet for Royalty A&M as of April 2, 2023

| Royalty A&M LLC | | |
|--|-----------|----------------------|
| Balance Sheet as of April 2, 2023 | | |
| (Dollars in Millions) | | |
| Assets | | <u>April 2, 2023</u> |
| Current Assets | | |
| Cash | \$ | 40.08 |
| Other Receivable – Royalties ⁴ | | 35.28 |
| Total Current Assets | | 75.36 |
| Intangible Assets, Net of Amortization | | 331.51 |
| Total Assets | \$ | 406.86 |
| Liabilities & Shareholders Equity | | |
| Due to LTL Mgmt. ⁵ | | 0.02 |
| Due to Affiliate ⁶ | | 0.00 |
| Accrued Taxes | | - |
| Total Liabilities | \$ | 0.03 |
| Shareholders Equity | | |
| Paid in Capital | | 367.13 |
| Retained Earnings | | 39.71 |
| Total Shareholders Equity | \$ | 406.84 |
| Total Liabilities & Shareholders Equity | \$ | 406.86 |

⁴ Amount includes actual and projected royalty income amounts subject to reconciliation against actual sales amounts, net of obligations of Royalty A&M under its services agreements with Debtor LTL Management LLC and Johnson & Johnson Services, Inc. (such obligations are netted for reporting purposes only in this line item and are also reflected in line items Due to LTL Mgmt. and Due to Affiliate). Royalty income received by Royalty A&M is reflected in Cash.

⁵ Amount due to Debtor LTL Management LLC pursuant to a services agreement under which the Debtor provides Royalty A&M ongoing access to and support from the Debtor's chief executive officer and chief financial officer (in their capacities as officers of Royalty A&M).

⁶ Amount due to Johnson & Johnson Services, Inc. pursuant to a services agreement.

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Exhibit A-2: Statement of Income (Loss) for Royalty A&M for period ending January 1, 2023

Statement of Income (Loss) for Royalty A&M
January 2, 2022 – January 1, 2023
(Dollars in Millions)

| | | <u>January 2, 2022 - January 1, 2023</u> |
|--|----|--|
| Royalty Income ⁷ | \$ | 75.90 |
| Financial Services | | 0.06 |
| General & Administrative | | 1.04 |
| Intangibles Amortization | | 43.38 |
| Income Before Provision for Taxes | | 26.42 |
| Provision for Taxes on Income | | 0.00 |
| Net Income | \$ | 26.42 |

⁷ Amount includes actual and projected royalty income amounts, which are subject to change based on the applicable sales. Royalty income received by Royalty A&M is reflected in Cash.

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Exhibit A-2: Statement of Income (Loss) for Royalty A&M for period ending April 2, 2023

Statement of Income (Loss) for Royalty A&M
January 2, 2023 – April 2, 2023
(Dollars in Millions)

| | January 2, 2023 - April 2, 2023 |
|--|------------------------------------|
| Royalty Income ⁸ | \$ 16.32 |
| Financial Services | 0.00 |
| General & Administrative | 0.06 |
| Intangibles Amortization | 8.18 |
| Income Before Provision for Taxes | 8.08 |
| Provision for Taxes on Income | 0.00 |
| Net Income | \$ 8.08 |

⁸ Amount includes actual and projected royalty income amounts, which are subject to change based on the applicable sales. Royalty income received by Royalty A&M is reflected in Cash.

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Exhibit A-3: Statement of Cash Flows for Royalty A&M for period ending January 1, 2023

Statement of Cash Flows for Royalty A&M
January 2, 2022 – January 1, 2023

| Royalty A&M LLC | |
|---|-----------------------------------|
| Statement of Cash Flow | |
| <i>(Dollars in Millions)</i> | |
| | January 2, 2022 – January 1, 2023 |
| Cash Flow From Operating Activity | |
| Net Income | \$ 26.42 |
| Changes in Assets & Liabilities | |
| Increase in Other Receivable – Royalties ⁹ | (0.60) |
| Increase in Other Miscellaneous Receivable | (0.00) |
| Increase in Royalties Due from Affiliate | (5.31) |
| Decrease in Intangible Assets ¹⁰ | 18.85 |
| Decrease in Accrued Liabilities | (0.10) |
| Net Cash Flows From Operating Activities | 39.25 |
| Cash at January 2, 2022 | 0.00 |
| Cash at January 1, 2023 | \$ 39.25 |

⁹ See footnote 1 on the Balance Sheet with respect to Other Receivable – Royalties line item above.

¹⁰ Increase in Intangible Assets is net of the change in accumulated amortization.

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Exhibit A-3: Statement of Cash Flows for Royalty A&M for period ending April 2, 2023

Statement of Cash Flows for Royalty A&M
January 2, 2023 – April 2, 2023

| Royalty A&M LLC | |
|--|---------------------------------|
| Statement of Cash Flow | |
| <i>(Dollars in Millions)</i> | |
| | January 2, 2023 – April 2, 2023 |
| Cash Flow From Operating Activity | |
| Net Income | \$ 8.08 |
| Changes in Assets & Liabilities | |
| Increase in Other Receivable – Royalties ¹¹ | (0.02) |
| Decrease in Other Miscellaneous Receivable | 0.00 |
| Increase in Royalties due from Affiliate | (15.42) |
| Increase in Intangible Assets ¹² | 8.18 |
| Increase in Accrued Liabilities | 0.00 |
| Net Cash Flows From Operating Activities | 0.83 |
| Cash at January 1, 2023 | 39.25 |
| Cash at April 2, 2023 | \$ 40.08 |

¹¹ See footnote 1 on the Balance Sheet with respect to Other Receivable – Royalties line item above.

¹² Increase in Intangible Assets is net of the change in accumulated amortization.

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Exhibit A-4: Statement of Changes in Shareholders'/Partners' Equity (*Deficit*) for Royalty A&M for period ending January 1, 2023

Statement of Changes in Shareholders'/Partners' Equity (Deficit) for Royalty A&M
January 2, 2022 – January 1, 2023

| Royalty A&M LLC | | | |
|--|--------|----------------------|-----------------|
| Statement of Equity (Dollars in Millions) | | | |
| | Total | Retained Earnings | Paid in Capital |
| Balance January 2, 2022 | 372.34 | 5.21 | 367.13 |
| Net Income | 26.42 | 26.42 | - |
| Balance January 1, 2023 | 398.76 | 31.63 | 367.13 |

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Exhibit A-4: Statement of Changes in Shareholders'/Partners' Equity (*Deficit*) for Royalty A&M for period ending April 2, 2023

Statement of Changes in Shareholders'/Partners' Equity (Deficit) for Royalty A&M
January 2, 2023 – April 2, 2023

| Royalty A&M LLC | | | |
|--|--------|----------------------|-----------------|
| Statement of Equity (Dollars in Millions) | | | |
| | Total | Retained Earnings | Paid in Capital |
| Balance January 1, 2023 | 398.76 | 31.63 | 367.13 |
| Net Income | 8.08 | 8.08 | - |
| Balance April 2, 2023 | 406.84 | 39.71 | 367.13 |

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Exhibit B: Description of Operations for Royalty A&M

Royalty A&M is a wholly owned subsidiary of the Debtor. As further described in the *Declaration of John K. Kim in Support of First Day Pleadings* (Dkt. 4), Royalty A&M owns a portfolio of royalty revenue streams, including royalty revenue streams based on third-party sales of CLOROX®, ECOLAB®, ESSITY®, LACTAID®, MYLANTA® / MYLICON®, ROGAINE®, SPARTAN® and TENA® products. Royalty A&M has been reviewing royalty monetization opportunities in the healthcare industry and seeks to grow its business by financing and/or reinvesting the income from the existing royalty revenue streams into both the acquisition of additional external royalty revenue streams as well as financings to third parties secured by similar royalty streams.

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Exhibit C: Description of Intercompany Claims

As described above, Royalty A&M is the only non-debtor entity owned or controlled by the Debtor. As such, there are no claims between Royalty A&M and any other controlled non-debtor entity.

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Exhibit D: Allocation of Tax Liabilities and Assets

Royalty A&M and the Debtor are treated as divisions of Johnson & Johnson Holdco (NA) Inc. ("Holdco") for federal and state tax purposes. As a result, all tax items of Royalty A&M and the Debtor are included in calculating the separate return liability of Holdco. Royalty A&M and the Debtor will not calculate separate return liability or be allocated any tax items.

Royalty A&M and the Debtor are not parties to any written tax sharing or tax allocation agreement with Holdco nor any other Johnson and Johnson affiliate.

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Exhibit E: Description of Controlled Non-Debtor Entity's payments of Administrative Expenses, or Professional Fees otherwise payable by a Debtor

No payments otherwise payable by the Debtor have been paid by Royalty A&M.